

#2



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March 30, 1999

Mr. Roger Bezdek, Senior Advisor  
Office of Fiscal Assistant Secretary  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue N.W., Rm. 2112  
Washington, DC 20220

Dear Mr. Bezdek:

Thank you for this opportunity to comment on proposed regulations regarding access to electronic transfer accounts (ETA) at financial institutions through payment service providers. The Institute has a 25-year history of working with community-based organizations, financial institutions, foundations and government to increase access to affordable capital and credit and to promote economic development in low- and moderate-income and minority communities. Woodstock Institute is committed to increasing consumer awareness of the relative costs of financial services.

One of the major advantages of EFT is that it can encourage the 'unbanked' to establish relationships with mainstream financial institutions. Using a bank or a credit union brings low-income people into regular contact with financial institutions, encouraging them to use financial services and learn more about personal financial management. Low-income people will also obtain the same benefits of technology that middle class consumers enjoy: 24-hour ATM, point-of-sale (POS) access to funds, and competitive pricing of retail services.

Woodstock Institute supports the currently proposed regulations, which prohibits check cashing outlets from serving as direct recipients of the Treasury Department's transfers. In addition, we believe that the Treasury Department should also disallow EFT partnerships between regulated institutions and check cashers for three reasons.

First, allowing payment service providers to participate in EFT would impede efforts to provide more low- and moderate-income persons access to mainstream financial services that offer consumer protections such as federal deposit insurance or Regulation E. And, while not as widespread, at least some federally funded financial institutions provide personal finance or financial literacy training that is not available through payment providers.

Second, check cashing fees translate into a poverty surcharge. A recent Woodstock Institute study documents that low-income people who use check cashing outlets in Chicago pay up to three times as much for basic financial services as bank customers. For example, a moderate-income family may pay as much as \$402 a year to cash checks, purchase money orders, and pay utility bills at a check cashing outlet, compared to approximately \$100 in costs for a checking account at a financial institution. Check cashers do not provide savings products where the customers' funds are secure and collect interest

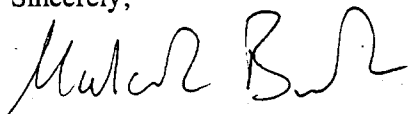
200

Mr. Roger Bezdek, Senior Advisor  
Office of Fiscal Assistant Secretary  
U.S. Department of the Treasury  
March 30, 1999  
Page 2

Third, cash checking outlets are not regulated in all states and are not regulated by the federal government at all. Therefore establishing uniform fees, rules or products is impossible. In many states the fees are far higher than the fees reported above in Chicago where fees are set by state regulation.

There is much to recommend the EFT program. It can help to reduce the number of the 'unbanked' and give low-income people access to various financial services. Further, unlike paper checks, which may take weeks to replace if lost or stolen, difficulties with EFT can be resolved relatively quickly. EFT also enhances predictability of payments to recipients—allowing immediate access to funds. However, EFT can effectively serve the interests of low-income people if high cost check cashing outlets are not allowed to participate.

Sincerely,

A handwritten signature in dark ink, appearing to read "Malcolm Bush". The signature is fluid and cursive, with the first name "Malcolm" and the last name "Bush" clearly distinguishable.

Malcolm Bush  
President

MB/bab

Enc: Alert #10